



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

4 November 2019

Mark Carney
Governor
Bank of England
Threadneedle Street
London
EC2R 8AH

Dear Mark,

REMIT AND RECOMMENDATIONS FOR THE FINANCIAL POLICY COMMITTEE

The Bank of England Act 1998 (the Act), requires me, at least once a year, to specify what the economic policy of the government is and to make recommendations to the Financial Policy Committee (FPC) about matters that the Committee should regard as relevant to the Committee's understanding of the Bank's Financial Stability Objective and the Committee's responsibility in relation to the achievement of that objective. The last letter to the FPC was sent by my predecessor on 29 October 2018. I am issuing this letter today to fulfil the statutory requirements detailed above. This letter will also be presented to Parliament pursuant to sections 9D(3) and 9E(5) of the Bank of England Act 1998.

In accordance with the Act, I confirm that the government's economic policy objective is to achieve strong, sustainable and balanced growth. Price and financial stability are essential pre-requisites for strong, sustainable and balanced growth in all regions and sectors of the economy. It's important to have an open and competitive economy which allows free enterprise to flourish. The specification of the government's economic strategy can be

found in section A of the annex to the 2018 remit and recommendations letter.

The government is also committed to UK financial services being effectively regulated; securing the right balance between a financial sector that is globally competitive and secure over the long-term. The FPC's main contribution to these goals is protecting and enhancing financial stability in the UK, working in tandem with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). The government believes that a strong and stable financial system supports economic growth, facilitates the provision of finance to support the expansion of the economy's productive capacity and underpins the UK's position as an important global financial centre. I confirm that any recommendations made to the Committee about matters it should regard as relevant to its understanding of the Bank's Financial Stability Objective and the Committee's responsibility in relation to the achievement of that objective remain as stated in the 2018 remit and recommendations letter.

I am grateful for the FPC's ongoing work, in accordance with its duties, to identify, monitor, and communicate any potential implications of Brexit for financial stability. This has been critical so that preparations can be made and actions taken to manage the transition. I welcome, in particular, the FPC's judgement that most risks to UK financial stability from disruption to cross-border financial services in a no-deal Brexit have now been mitigated, and that the core of the UK financial system is resilient to, and prepared for, the wide range of risks it could face in such a scenario. It is vital that government and regulators continue to work together closely so that we can ensure a smooth transition and maintain the UK's position as the world's leading provider of financial services operating to the highest international standards.

Finally, I confirm that the FPC and the Monetary Policy Committee (MPC) should continue to have regard to each other's actions, to enhance coordination between monetary and macroprudential policy. This coordination has enhanced the strength and resilience of the UK's

macroeconomic framework. It has performed well through testing times, and is well-equipped to address future challenges.

I am grateful to you and all the members of the Committee for your continuing good work and dedication.

A handwritten signature in blue ink, appearing to read 'S. Javid.', is centered on the page. The signature is fluid and cursive, with a period at the end.

SAJID JAVID